

HAZARDOUS SUBSTANCE TAX
RCW 82.21

Tax Base The wholesale value of certain substances which are defined as hazardous by statute or determined to cause a threat to human health or the environment by the Department of Ecology. The tax is a privilege tax on the first possession of the items within the state. Specifically, the tax applies to petroleum products, pesticides, and certain chemicals. There are currently over 8,000 different hazardous substances which DOE has identified as being subject to the tax.

Tax Rate 0.7 percent

Levied by State

Recent Collections (\$000)

<u>Fiscal Year</u>	<u>Collections</u>	<u>% Change</u>	<u>% of All State Taxes</u>
2001	\$72,455	46.5	0.6%
2000	49,472	50.1	0.4
1999	32,966	(24.0)	0.3
1998	43,398	(14.2)	0.4
1997	50,570	24.2	0.5
1996	40,703	4.8	0.4
1995	38,843	12.8	0.4
1994	34,445	(12.4)	0.4
1993	39,333	7.7	0.5
1992	36,519	(21.0)	0.5

Distribution of Receipts Toxics control accounts per RCW 70.105D.070.

Of the total receipts, 47.1 percent is allocated to the state toxics control account for use by DOE for cleanup of hazardous waste sites and related planning and regulation activities. The remaining 52.9 percent of the revenues go to the local toxics control account for use as grant funds to local governments for hazardous waste programs.

Administration Department of Revenue. Firms that possess taxable hazardous substances report the tax on their combined excise tax return (Form #40 2406). The Department of Ecology determines which substances are subject to the tax.

Exemptions, Deductions and Credits

- previously taxed hazardous substances (thus effectively limiting the tax to the first possession);
- products to be used for personal or domestic, and not business, purposes;
- minimal amounts of hazardous substances, not including petroleum products or pesticides, in the possession of retailers;
- alumina or natural gas;
- persons or activities which cannot be taxed under the federal Constitution;
- products within the state before March 1, 1989;
- credit for tax paid on fuel exported from the state in vehicle fuel tanks;
- credit for the amount of similar taxes paid on the same product in other states.

History

The current hazardous substance tax results from passage of Initiative 97 by the voters in November 1988; the tax became effective on March 1, 1989. At the 1988 election, the initiative received 860,835 votes, compared to 676,469 for the legislative alternative (Chapter 112, Laws of 1988) which was essentially a continuation of the previous hazardous substance tax.

Prior to March 1, 1989 a similar hazardous substance tax had been levied since January 1, 1988, pursuant to Chapter 2, Laws of 1987, 3rd extraordinary session. The rate of this tax was 0.8 percent compared with the existing 0.7 percent tax, but it did not cover as many substances and the revenues were therefore lower. Specifically, the earlier tax did not include petroleum products that were destined for export from the state.

Discussion/Major Issues

Identification of firms that are liable for the hazardous substance tax remains a problem, particularly for smaller firms or ones that use such products infrequently. Also, there may be a problem for some firms in identifying which of their substances or products are hazardous and accurately accounting for purchases of these specific items.

During 2000, approximately 650 firms reported the tax. Any tax that is product-based and applies to virtually thousands of specific items is bound to be complex; educating taxpayers of their liability is a continuing problem. Another difficulty for taxpayers and auditors is ascertaining whether the tax on individual substances was previously paid by the supplier. Finally, collections tend to be volatile, since a large portion of the tax is related to petroleum products and the value of these fluctuates with international oil prices.